PRINCE EDWARD ISLAND

GRAIN ELEVATORS CORPORATION

Tenth
Annual Report

FOR THE FISCAL PERIOD AUGUST 1st TO MARCH 31st

1987

KENSINGTON
PRINCE EDWARD ISLAND

PRINTED BY
ALFA-GRAPHICS (1972) LTD., 58 SUMMER ST., SUMMERSIDE, P.E.I.

The HONOURABLE TIM CARROLL

Minister of Agriculture

Province of Prince Edward Island

Dear Sir:

On November 6, 1986 the Board of Directors and officers of the P.E.I. Grain Elevators Corporation were appointed for a 3 year term.

Your Board has begun a general review of the Corporation. We are examining the administration and operational practices in an effort to achieve an effective minimum cost and maximum production operation.

As well your Board is examining the mandate and direction of the Corporation in an effort to ensure full value from our programs to the Agriculture sector.

In closing, we would like to thank the retired directors of the Corporation for their valuable input during their terms of office.

Yours truly,

Allison McNally
President

The HONOURABLE TIM CARROLL

Minister of Agriculture

Province of Prince Edward Island

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honor of submitting herewith the Tenth Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of the operations and the audited financial statements of the Grain Elevators Corporation for the fiscal period August 1, 1986 ending March 31, 1987.

Respectfully submitted,

BOARD OF DIRECTORS

Prince Edward Island
Grain Elevators Corporation

TENTH ANNUAL REPORT

OF

THE PRINCE EDWARD ISLAND GRAIN

ELEVATORS CORPORATION

For the fiscal period August 1, 1986 ending March 31, 1987

BOARD OF DIRECTORS

Allison McNally ..... President
Harold Cairns ..... Vice-President
Clayton Bulpitt ..... Secretary-Treasurer
Earle Clark ..... Director
Leonard McCardle ..... Director
George Demeulenaere ..... Director
Gerald MacIsaac ..... Director
Jim Whelan ..... Special Advisor

HEAD OFFICE STAFF

Wallace Murphy ..... Executive General Manager
Debra Montgomery ..... Clerk-Typist
Barbara Johnstone ..... Clerk-Typist

ELEVATOR OPERATIONS STAFF

No. 1 Elevator — Kensington, P.E.I.

Clive Drummond ..... Manager
Kenneth McCarville ..... Assistant Manager
Andy Gauthier ..... Elevator Worker

No. 2 Elevator — Roseneath, P.E.I.

J. Ronald Somers ..... Manager
Bill McGuigan ..... Elevator Worker

No. 3 Elevator — Elmsdale, P.E.I.

Donald McCarthy ..... Manager
Edmond Gaudet ..... Elevator Worker

The Prince Edward Island Grain Elevators Corporation is a Crown Corporation of the Province of Prince Edward Island under the authority of the Minister of Agriculture.

The Prince Edward Island Grain Elevator Corporation was established under Bill No. 49, the 4th Session, 43rd General Assembly; 26 Elizabeth 11, 1977.

OBJECTIVE OF THE CORPORATION

The objective of the Corporation is to stimulate local feed grain production and to bring uniformity to the industry through marketing of local grain on Prince Edward Island and throughout the Atlantic Provinces.

The Prince Edward Island Grain Elevators Corporation provides a central marketing, drying, storage and distribution outlet to the grain producer, livestock feeder and the feed industry.

FINANCIAL PARTICIPATION

The Prince Edward Island Government provides funding to purchase grain and funds for the Corporation's operating costs. These funds are returned to the Provincial Treasury from the sale of grain and services provided by the Corporation through drying charges, handling and elevator charges, storage and interest charges.

1986-87 CROP YEAR CONDITIONS

An excellent growing season; the grain coming into the elevators was of good quality. This was the third year for the protein bonus plan and there was a large increase of high protein grains sold to the elevators.

NUMBER OF PRODUCERS AND USERS OF GRAIN

This report covers the period August 1, 1986 to March 31, 1987, which was the tenth year of operation of the Prince Edward Island Grain Elevators Corporation, the fourteenth year for the Kensington Grain Elevator, the tenth year for the Roseneath Grain Elevator, and the ninth year for the Elmsdale Grain Elevator.

The following is a breakdown of buyers and sellers who are using the grain elevator system:

Kensington (No. 1): There were approximately 150 buyers of grains. There were approximately 250 cheques issued to Island grain producers for a total of $947,733.

Roseneath (No. 2): There were approximately 75 buyers of grains. There were approximately 155 cheques issued to Island grain producers for a total of $503,341.

Elmsdale (No. 3): There were approximately 50 buyers of grains. There were approximately 145 cheques issued to Island grain producers for a total of $516,614.

The average price paid to the Island grain producer was as follows:

Barley	— $117.00 m.t.
Oats	— $ 95.00 m.t.
Wheat	— $138.00 m.t.

The average price paid for Western grains and Ontario Corn was as follows:

Wheat	— $144.00 m.t.
Corn	— $135.00 m.t.
Soybean	— $343.00 m.t.

VOLUME OF HANDLINGS AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat purchased		
Kensington No. 1	556.860	
Roseneath No. 2	921.030	
Elmsdale No. 3	–	
Total		1477.890
Western Wheat purchased		
Kensington No. 1	205.287	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total		205.287
Total Wheat purchased		1683.177
Island Oats purchased		
Kensington No. 1	1204.310	
Roseneath No. 2	847.800	
Elmsdale No. 3	402.640	
Total Oats purchased		2454.750
Island Barley purchased		
Kensington No. 1	6536.670	
Roseneath No. 2	2241.880	
Elmsdale No. 3	4054.140	
Total		12832.690
Western Barley purchased		
Roseneath No. 2	63.140	
Total Barley purchased		12895.830

Ontario Corn purchased	Metric Tonnes	
Kensington No. 1	632.462	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total Corn purchased		632.462

Soybean meal purchased		
Kensington No. 1	572.817	

Soybeans purchased		
Roseneath No. 2	64.464	

As well as purchasing grain from farmers, each elevator also receives grain to dry and store. These volumes are as follows:

Kensington No. 1	Metric Tonnes	
Barley	128.591	
Wheat	30.534	
Total		159.125

Roseneath No. 2		
Barley	83.609	
Oats	60.175	
Wheat	298.004	
Total		441.788

VOLUME OF SALES AT EACH ELEVATOR

	Metric Tonnes	
Island Wheat sold		
Kensington No. 1	525.299	
Roseneath No. 2	155.740	
Elmsdale No. 3	–	
Total		681.039
Western Wheat sold		
Kensington No. 1	198.088	
Roseneath No. 2	–	
Elmsdale No. 3	–	
Total Wheat sold		879.127
Island Oats sold		
Kensington No. 1	966.260	
Roseneath No. 2	380.670	
Elmsdale No. 3	1215.220	
Total Oats sold		2562.150
Island Barley sold		
Kensington No. 1	5373.755	
Roseneath No. 2	1544.544	
Elmsdale No. 3	1777.556	
Total		8695.855
Western Barley sold		
Kensington No. 1	16.547	
Roseneath No. 2	53.679	
Elmsdale No. 3	–	
Total Barley sold		8766.081

Ontario Corn sold

Kensington No. 1	500.287	
Roseneath No. 2	61.573	
Elmsdale No. 3	86.829	
Total Corn sold		648.689

Soybean sold

Kensington No. 1	414.223	
Roseneath No. 2	59.558	
Elmsdale No. 3	125.831	
Total Soybean sold		599.612

Soybeans sold

Roseneath No. 2	64.464

Total Grain sold – by elevator

Kensington No. 1	7994.459
Roseneath No. 2	2320.228
Elmsdale No. 3	3205.436

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Grain Elevators Corporation

I have examined the balance sheet of the Prince Edward Island Grain Elevators Corporation as at March 31, 1987 and the statement of income for the eight months then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

As disclosed in Note 9 to the financial statements, the barley inventory at the Kensington Grain Elevator was not weighed. I was not able to satisfy myself concerning the inventory quantities by alternative means. As a result, I was unable to determine what if any adjustments to ending inventory, sales, purchases and net loss may have been required.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary, had the inventory specified in the preceding paragraph been weighed, these financial statements present fairly the financial position of the Corporation as at March 31, 1987 and the results of its operations for the eight months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. WAYNE MURPHY, C.A.

Auditor General

Charlottetown, Prince Edward Island
August 3, 1987

STATEMENT 1

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
BALANCE SHEET
AS AT MARCH 31, 1987
(with figures at July 31, 1986)

ASSETS

	1987	1986
CURRENT ASSETS		
Cash	$ 54,420	$ 37,929
Accounts Receivable – Note 2	642,149	424,398
Prepaid Expenses	13,540	13,918
Inventory of Grain – Note 1(b), Note 9	1,011,329	605,199
	1,721,438	1,081,444
FIXED ASSETS		
Equipment – Note 3	73,500	85,500
Property under Capital Lease – Note 4	388,468	413,748
	$2,183,406	$1,580,692

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Accounts Payable	$ 25,796	$ 20,418
Current Portion of Obligation Under Capital Lease	41,816	37,817
Allowance for Contingent Loss – Note 5	49,732	49,732
Due to Province of Prince Edward Island	1,389,046	708,916
	1,506,390	816,883
LONG TERM LIABILITIES		
Obligation Under Capital Lease – Note 7	391,681	420,809
EQUITY		
Retained Earnings, Beginning of Year	–	(182,623)
Income (Loss) for the Year	(57,665)	182,623
Retained Earnings, End of Year	(57,665)	–
Contribution by the Province of Prince Edward Island – Note 6	343,000	343,000
	285,335	343,000
	$2,183,406	$1,580,692

(Notes 1 to 9 are an integral part of these financial statements.)

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME
FOR THE EIGHT MONTHS ENDED MARCH 31, 1987
(with figures for the year ended July 31, 1986)

		1987 (8 Months)		1986
SALES		$1,849,136		$2,770,474
COST OF SALES				
Inventory, Beginning of Year	$ 605,199		$ 199,677	
Purchases	2,268,626		3,049,266	
Freight	45,254		60,503	
Cost of Goods Available for Sale	2,919,079		3,309,446	
Inventory, End of Year – Note 9	1,011,329	1,907,750	605,199	2,704,247
GROSS PROFIT ON SALES		(58,614)		66,227
OTHER INCOME – Note 8		198,098		424,292
		139,484		490,519
EXPENSES				
Salaries and Benefits	192,862		288,547	
Interest – Short Term	92,552		123,812	
Power, Light and Water	59,328		83,662	
Insurance	26,201		13,131	
Capital Lease – Interest	25,923		42,867	
Capital Lease – Amortization	25,280		37,482	
Protein Bonus	24,127		21,275	
Repairs and Maintenance	22,403		57,354	
Office	15,206		16,109	
Truck Expense	13,661		19,887	
Depreciation	12,000		8,916	
Bad Debt Expense	6,910		2,487	
Honorariums	6,660		10,011	
Telephone and Telegraph	6,012		9,092	
Travel	4,564		6,502	
Miscellaneous	4,072		3,936	
Household and Clothing	4,051		4,183	
Professional Services	2,984		7,026	
Field Supplies and Equipment	2,172		1,868	
Advertising	1,643	548,611	4,823	762,970
INCOME (LOSS) ON OPERATIONS		(409,127)		(272,451)
APPROPRIATIONS				
For current Year's Deficit	351,462		272,451	
For Prior Year's Deficits	–	351,462	182,623	455,074
INCOME (LOSS) FOR THE YEAR		$ (57,665)		$ 182,623

(Notes 1 to 9 are an integral part of these financial statements.)

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1987

1. Summary of Significant Accounting Policies:

   (a) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, 1% of the remaining accounts are included in the allowance.

   (b) Inventory is valued at the lower of first-in, first-out cost and replacement value.

   (c) Asset purchases less than $5,000 are expensed in the period of purchase.

   (d) Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

   (e) Property under Capital Lease is amortized on a straight-line basis over the term of the lease.

2.

	1987	1986
Accounts Receivable – Trade	$256,675	$357,737
Less: Allowance on Doubtful Accounts	13,021	6,939
	243,654	350,798
Accounts Receivable – Special Bin	380,021	49,800
– Freight Assistance	16,674	20,427
– Other	1,800	3,373
	$642,149	$424,398

3.

	1987	1986
Fixed Assets		
Equipment (cost)	$119,443	$119,443
Less: Accumulated Depreciation	45,943	33,943
	$ 73,500	$ 85,500

4.

	1987	1986
Property Under Capital Lease		
Property (cost)	$641,423	$641,423
Less: Accumulated Amortization	252,955	227,675
	$388,468	$413,748

5. Contingent Liabilities: In 1978 an account receivable of $89,000 was assigned to the Prince Edward Island Lending Authority. The Corporation has guaranteed repayment to the Authority. A likely loss of $49,732 on this account has been charged to income since 1978.

6. In 1972 the P.E.I. Government began advancing funds to the Kensington Elevator for working capital purposes. At July 31, 1985 the balance of $582,555 included $343,903 in advances and accumulated interest of $238,652. During the 1985-86 fiscal year the advances owed by the Grain Elevator were written off by the Province and the interest payable was added to the operational loan.

7.

	1987	1986
Obligation under Capital Lease	$433,497	$458,626
Less: Current Portion	41,816	37,817
	$391,681	$420,809

The following is a schedule of future minimum lease payments under the capital lease expiring July 2, 1997, together with the balance of the obligation under the capital lease:

Year Ending MARCH 31,	1988	$ 79,635
	1989	79,635
	1990	79,635
	1991	79,635
	1992	79,635
	Subsequent Years	252,540
Total Minimum Lease Payments		650,715
Less: Amount Representing		
Interest at – 10.0%		184,636
– 6.50%		32,582
Balance of the Obligation		$433,497

8. Other Income

	1987	1986
Handling and Drying	$ 72,997	$ 75,391
Storage Fees	2,582	24,643
Service Charges	12,391	20,292
Miscellaneous	14,846	15,826
Hedging Income	–	118,274
Feed Freight Assistance	95,282	169,866
	$198,098	$424,292

9. Due to higher than usual inventory volumes, the barley inventory at the Kensington grain elevator was not weighed. The value of this inventory in the financial statements is based on estimated quantities. Based on the estimation method applied, this inventory is valued at $175,810. The perpetual record value of this inventory was $233,475, a difference of $57,665.